MSUKALIGWA
MUNICIPALITY / MUNISIPALITEIT

FINANCIAL STATEMENTS
FINANSIëLE STATE

2005/2006

MSUKALIGWA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR YEAR ENDED

30 JUNE 2006

I am responsible for the preparation of these annual financial statements, which are set out on page 1 to 31, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 18 of these annual financial statements are within the upper limits of the frameworks envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

LCT Nkosi
Municipal Manager

30/8/06
Date

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General Information

MEMBERS OF THE EXECUTIVE COMMITTEE

B M Vilakazi	:	Executive Mayor
Z S Zwane	:	Full Time Councillor
N Shongwe	:	Full Time Councillor
M M I Zikhali	:	Councillor
L Butter	:	Councillor
M J Mndebele	:	Councillor

SPEAKER

Councillor N S Xaba

WARD COUNCILLORS

Ward 1	F T W Yende	Ward 9	K J Makhubu
Ward 2	N S Xaba	Ward 10	M J Blose
Ward 3	Z S Zwane	Ward 11	B A Maseko
Ward 4	W B S Makhubu	Ward 12	D R Mkomo
Ward 5	M J Mkhonza	Ward 13	S Marsh
Ward 6	T T Malaza	Ward 14	B E Nkosi
Ward 7	H F Swart	Ward 15	N Shongwe
Ward 8	G S Greyling	Ward 16	B J Nkosi

COUNCILLORS; PROPORTIONAL

P A Zulu	M J Mndebele
M S Nkosi	G A Vilakazi
M M Zikhali	B M Vilakazi
M P Nkosi	N G Mashinini
J S Bongwe	G B Prinsloo
N L Gininda	Z P G Mthimunye
Z Nkosi	M S Vilakazi
L Butter	W E Ritson

GRADING OF LOCAL AUTHORITY	:	Grade 8
AUDITORS	:	Auditor-General
BANKERS	:	Standard Bank
REGISTERED OFFICE	:	Civic Centre C/o Church and Taute streets P.O. Box 48 ERMELO 2350
TELEPHONE	:	(017) 801 3500
FACSIMILE	:	(017) 819 3210

MUNICIPAL MANAGER	:	**Mr. L C T Nkosi**
Telephone	:	(017) 801 3752
E-Mail Address	:	lct@msukaligwa.gov.za
DIRECTOR FINANCE (Registered Municipal Accountant (Associate)	:	**Mr. H M Boers**
Telephone	:	(017) 801 3502
E-Mail Address	:	dboers@msukaligwa.gov.za
DIRECTOR CORPORATE SERVICES	:	**Mr. B Zwane (Acting)**
Telephone	:	(017) 801 3506
E-Mail Address	:	mzwane@msukaligwa.gov.za
DIRECTOR HEALTH & COMMUNITY SERVICES	:	**Mr. T H Kubheka**
Telephone	:	(017) 801 3753
E-Mail Address	:	thkubheka@msukaligwa.gov.za
DIRECTOR PUBLIC SAFETY & SEC.	:	**Mr. R Singh**
Telephone	:	(017) 801 3708
E-Mail Address	:	rsingh@msukaligwa.gov.za
DIRECTOR ENGINEERING	:	**Mr. M Mofokeng**
Telephone	:	(017) 801 3749
E-Mail Address	:	mmofokeng@msukaligwa.gov.za

ENQUIRIES

Building Plans	:	(017)	801 3590
Electricity	:	(017)	801 3606
Water	:	(017)	801 3592
Sewerage	:	(017)	801 3750
Consumers	:	(017)	801 3519

PAYPOINTS

Civic Centre	Telephone	:	(017)	801 3500
Thusiville	Telephone	:	(017)	801 3738
Wesselton	Telephone	:	(017)	801 3723
Van Riebeeckstr.	Telephone	:	(017)	801 3723
Breyten/ Kwazanele	Telephone	:	(017)	861 3028
Chrissiesmeer/ Kwachibikulu	Telephone	:	(017)	847 0016
Davel/Kwadela	Telephone	:	(017)	629 3035
Lothair/ Silindile	Telephone	:	(017)	845 3007

ACCOUNTING POLICIES

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

OBJECTIVE

The objective of the annual financial statements is to be a source of information on the financial position, performance and changes in financial status of the Msukaligwa Municipality and demonstrates accountability useful to a wide range of users in making economic or political decisions.

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005;
- General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005;

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board. A summary of the significant accounting policies are disclosed below.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

5. RESERVES

Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

5.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

5.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus.

5.3 Government Grant Reserve

When items of property, plant and equipment are purchased from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the

accumulated surplus.

5.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are purchased from public contributions and donations, a transfer is made from the accumulated surplus to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus.

6. PROPERTY, PLANT AND EQUIPMENT

The municipality has taken the advantage of the transitional provision in GAMAP 17 paragraph.86.

An item of property plant and equipment which qualifies for recognition as an asset shall initially be measured at cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

The cost of an item of property plant and equipment includes the estimated cost of dismantling the asset and restoring the site to the extent that it is recognised as a provision.

Property, plant and equipment are stated at cost less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The useful life of an item of property plant and equipment is reviewed periodically and, if expectations are significantly different from previous estimates, the depreciation charge from the current and future periods shall be adjusted.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:- (In more detail in accordance with Council's Asset Management Policy)

DETAILS	YEARS	DETAILS	YEARS
Infrastructure		***Other***	

DETAILS	YEARS	DETAILS	YEARS
Rivers and Coastal Engineering		Buildings	30
Roads and Motorways	10-15	Markets and Informal Markets	30
Economic Development		Fire Engines	20
Traffic Equipment	5	Landfill Sites	30
Stormwater Drainage	20	Car Parks	20
Airport Infrastructure	20	Lifts	
Solid Waste	30	Building Improvements	30
Water and Sanitation	20	Heavy and Mobile Plant	10-15
Major Substations: Buildings	30	Furniture and Fittings	7-10
Transformers and Related Equipment	20	Vehicles	5-7
Mains	20	Bins and Containers	5-10
Street Lighting	25	Plant – General	2-5
		Security Systems	3
Community		Office Equipment	3-7
Buildings	30	Other items of Plant and Equipment	2-5
Recreational Facilities	30		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions – refer provisions paragraph 12 of the Accounting Policy.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

7. FINANCIAL INSTRUMENTS

There are four categories of financial instruments: fair value through profit or loss (which includes trading), loans and receivables, held-to-maturity and available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories

Financial instruments include cash and bank balance, investments, trade receivables and borrowings.
The municipality classifies its financial assets as loans and receivables.

Where investments have been impaired in accordance with IAS39.58-.70, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

7.1 Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months. These are classified as non current assets. Loans and receivables are classified as "trade and other receivables" in the statement of financial position.
Loans and receivables are recognised initially at cost which represents fair value. After initial

recognition financial assets are measured at amortised cost using the effective interest rate.

7.2 Financial liabilities

Financial liabilities are recognised initially at cost which represents fair value. After initial recognition financial liabilities are measured at amortised cost using the effective interest rate.

7.3 Gains and losses

Gains and losses arising from changes in financial assets or financial liabilities at amortised cost are recognised in profit and loss when the financial asset or liability is derecognised or impaired through the amortisation process

7.4 Investments held-to-maturity

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method.

8. INVENTORIES

Consumable stores, raw materials, work-in-progress, unused water and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

9. ACCOUNTS RECEIVABLE

Trade and other receivables are recognised initially at cost which represents fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.
Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

10. TRADE CREDITORS

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Creditors are normally paid within 30 days from the date of which the invoice is received.

11. REVENUE RECOGNITION

11.1 Revenue transactions

Revenue shall be measured at the fair value of the consideration received or receivable. No settlement discount is applicable.

Rendering of service:
When the outcome of a transaction can be estimated reliably relating to the rendering of a service, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of the transaction can be measured reliably when all of the following conditions are satisfied:

- The amount of revenue can be measured reliably
- It is probable that the economic benefits or services potential associated with the transaction will flow to the entity,
- The stage of completion of the transaction at the reporting date can be measured reliably, and
- The cost incurred for the transaction and the cost to complete the transaction can be measured reliably.

This principle also applies to tariff or charges

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses that are recoverable.

Sale of goods:
Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- The municipality has transferred to the purchaser the significant risks and rewards of ownership of goods,
- The entity retains neither continuing managerial involvement to the degree associated with ownership nor effective control over the goods sold
- The amount of revenue can be measured reliably
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The cost incurred or to be incurred in respect of the transaction can be measured reliably.

Rates, including collection charges and penalty interest:
Revenue from rates including collection charges and penalty interest, shall be recognised when all the following conditions have been satisfied:

- The amount of revenue can be measured reliably
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- There has been compliance with the relevant legal requirements

Service charges:
Flat rate service charges and consumption-based service charges shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably

Fines:
Revenue from the issuing of fines shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably

Government Grants:

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Government grants are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably, and
- To the extent that there has been compliance with any restrictions associated with the grant

Other grants and donations received:
Other grants and donations shall be recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably, and
- To the extent that there has been compliance with any restrictions associated with the grant

Levies:
Levies shall be recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably

Interest, royalties and dividends:
Revenue arising from the use of assets by others of the municipal assets yielding interest royalties and dividends shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset.
Royalties shall be recognised as they are earned in accordance with the substance of the relevant agreement, and
Dividends on their equivalents shall be recognised when the shareholder's right to receive payment is established.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance

Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

12. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

13. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

14. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

15. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the

dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

18. COMPARATIVE INFORMATION

18.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

18.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

19. INVESTMENT PROPERTIES

Investment properties, which are properties held to earn rental revenue or for capital appreciation, are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is 30 years.

20. RETIREMENT BENEFITS

(i) Defined contribution plans:

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Contributions to the defined contribution pension plan in respect of service in a particular period are included in the employees' total cost of employment and are charged to the statement of financial performance in the year to which they relate as part of cost of employment.

(ii) Post employment medical care benefits:

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post–retirement medical benefits is based on employees remaining in service up to retirement age, but only for employees who was 50 years or older on 1 July 2003. (Council resolution LM 1301/05/2004) The expected cost of these benefits is accrued over the period of employment.

Actuarial gains and losses arising from experience adjustments are debited or credited to the Statement of Financial Performance in the period in which it occurs. Valuations of these bligations are carried out annually by independent qualified actuaries.

21. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

22. EVENTS AFTER BALANCE SHEET DATE

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note to the financial statements

23. LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risk and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight-lined basis over the lease period.

MSUKALIGWA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2006

	Note	2006 R	2005 R
NET ASSETS AND LIABILITIES			
Net Assets		**177,991,155**	**183,349,477**
Capital Replacement Reserve	26	641,246	0
Capitalisation Reserve	26	67,613,572	72,450,331
Government Grant Reserve	26	102,420,867	65,309,047
Accumulated Surplus/(Deficit)	27	7,315,470	45,590,099
Non-Current Liabilities		**3,839,654**	**1,872,817**
Long-term Liabilities	1	1,185,993	1,872,817
Post retirement medical benefit obligation	31	2,653,661	0
Current Liabilities		**24,616,669**	**18,337,518**
Consumer Deposits	2	3,801,716	3,489,779
Provisions	3	61,340	100,000
Creditors	4	13,678,950	10,110,606
Unspent Conditional Grants & Receipts	5	3,166,204	2,788,041
VAT	4.1	780,748	397,907
Bank Overdraft	12	2,609,649	1,124,032
Current Portion of Long-term Liabilities	1	518,062	327,153
Total Net Assets & Liabilities		**206,447,478**	**203,559,812**
ASSETS			
Non-current Assets		**165,894,047**	**169,045,787**
Property, Plant & Equipment	6	165,629,136	167,827,876
Investments	7	0	4,042
Long-term Receivables	8	264,911	1,213,869
Current Assets		**40,553,431**	**34,514,025**
Inventory	9	10,731,170	2,462,298
Consumer Debtors	10	14,419,628	17,375,284
Other Debtors	11	7,280,586	13,657,696
Current portion of long-term debtors	8	1,002,670	899,241
Call Investment Deposits	12.1	7,104,065	108,236
Current portion of long-term investment	12.2	4,042	
Bank Balances and Cash	12	11,270	11,270
Total Assets		**206,447,478**	**203,559,812**

MSUKALIGWA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2006

	Note	Actual 2006 R	Actual 2005 R
REVENUE			
Property Rates	13	25,444,637	23,517,047
Service Charges	14	74,611,438	72,198,763
Un-earned finance charges	14.1	2,352,890	0
Government grants and subsidies	15	52,097,990	48,124,290
Fines		965,674	1,208,651
Interest earned - external investments		366,311	178,471
Interest earned - outstanding debtors		8,288,495	7,277,771
Rental of facilities and equipment		959,694	1,005,954
Licenses and permits		1,353,961	1,421,210
Income for Agency services		2,023,444	1,878,350
Gains on disposal of PPE		916,867	1,388,088
Transfers from NDR to offset depreciation			13,105,548
Internal transfers		0	1,834,012
Other Income	16	2,504,484	1,674,102
Total revenue		**171,885,885**	**174,812,257**
EXPENDITURE			
Employee related costs	17	63,672,113	56,292,916
Remuneration of Councillors	18	2,792,886	2,634,397
General Expenses		18,416,986	13,510,869
Interest paid	19	210,724	187,039
Bulk purchases	20	26,749,620	23,597,547
Contracted Services		11,826,671	11,868,907
Collection costs		9,157	1,924
Repairs and Maintenance		6,439,943	6,029,759
Inter departmental charges		0	6,843,175
Depreciation (Capital charges 2004)		13,966,039	13,305,293
Provision for bad debts		8,029,646	7,534,428
Provision for leave		2,300,000	2,000,000
Utilised capital receipts creditors (Capex 2004)		0	26,592,843
Transfer to other reserves		0	718,106
Total Expenditure		**154,413,785**	**171,117,203**
Less amount charged out		0	-5,038,217
SURPLUS/(DEFICIT) FOR THE YEAR		**17,472,100**	**8,733,271**

Refer to Appendix E(1) for explanation of variances

Inter-departmental charges not included to income or expenditure for 2005/2006

MSUKALIGWA MUNICIPALITY

STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2006

	Pre-GAMAP Reserves & Funds	Housing Develop- ment Fund	Capital Replace- ment Reserve	Capitalisation Reserve	Government Grant Reserve	Donations & Public Contribution Reserve	Self-Insurance Reserve	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R	R	R
2005										
Balance on 1 July 2004				79,172,787	71,692,138				23,751,281	174,616,206
										0
Surplus / (deficit) for the year									**8,733,271**	8,733,271
Transfer to CRR				734,884					-734,884	0
Property, plant and equipment purchased				-734,884					734,884	0
Capital grants used to purchase PPE					-26,592,843				26,592,843	0
Donated/contributed PPE					26,592,843				-26,592,843	0
Offsetting of depreciation				-6,722,456	-6,383,091				13,105,547	0
Balance at 30 June 2005	**0**	**0**	**0**	**72,450,331**	**65,309,047**	**0**	**0**	**0**	**45,590,099**	**183,349,477**
Correction of Error										
(Refer to note 30.2)										
Transfer from accumulated surplus to Inventory - Unsold water reserves									103,029	103,029
Government grant reserve					26,592,843				-26,592,843	0
Capitalisation reserve				734,884					-734,884	0
Restated balance	**0**	**0**	**0**	**73,185,215**	**91,901,890**	**0**	**0**	**0**	**18,365,401**	**183,452,506**
Surplus / (deficit) for the year									17,472,100	**17,472,100**
Transfer from accumulated surplus to provision for bad debts									-22,741,888	**-22,741,888**
Transfer to CRR			1,972,505						-1,972,505	**0**
Property, plant and equipment purchased			-1,331,259						1,331,259	**0**
Donated/contributed PPE					18,507,892				-18,507,892	**0**
Asset disposals									-191,563	**-191,563**
Offsetting of depreciation				-5,571,643	-7,988,915				13,560,558	**0**
Balance at 30 June 2006	**0**	**0**	**641,246**	**67,613,572**	**102,420,867**	**0**	**0**	**0**	**7,315,470**	**177,991,155**

MSUKALIGWA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 R	2005 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		151,079,796	136,573,240
Cash paid to suppliers and employees		127,464,439	-114,726,999
Cash generated from (utilised in) operations	22	23,615,357	21,846,241
Interest received		366,311	178,471
Interest paid		-210,724	-187,039
NET CASH FROM OPERATING ACTIVITIES		23,770,944	21,837,673
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-19,839,152	-28,498,126
Proceeds on disposal of PPE		916,869	879,785
(Increase) Decrease in non-current receivables		845,529	905,535
(Increase) Decrease in non-current investments		4,042	0
(Increase) Decrease in call investment deposits		-6,999,871	1,400,000
NET CASH FROM INVESTING ACTIVITIES		-25,072,583	-25,312,806
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans raised (repaid)		-495,915	429,853
Increase in consumer deposits		311,937	177,885
NET CASH FROM FINANCING ACTIVITIES		-183,978	607,738
NET DECREASE IN CASH AND CASH AND EQUIVALENTS		-1,485,617	-2,867,395
Cash and cash equivalents at beginning of the year		-1,112,762	1,754,633
Cash and cash equivalents at the end of the year	23	-2,598,379	-1,112,762

MSUKALIGWA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

		2006 R	2005 R
1	**LONG-TERM LIABILITIES**		
	Local Registered Stock Loans	110,000	110,000
	Annuity loans	1,594,055	2,089,970
	Sub-Total	1,704,055	2,199,970
	Less : Current Portion transferred to Current Liabilities	**518,062**	**327,153**
	Local Registered Stock	110,000	-
	Annuity loans	408,062	327,153
	Total External Loans	**1,185,993**	**1,872,817**
2	**CONSUMER DEPOSITS**		
	Electricity and Water	3,801,716	3,489,779
	No interest is paid on deposits held		
3	**PROVISIONS**		
	Leave Reserve	61,340	100,000
	Total Provisions	**61,340**	**100,000**

The movement in current provisions are reconciled as follows:

30 June 2005	**Audit Fees**	**Leave Reserve**	**Bad Debts**
Balances at beginning of year	-	(303,285)	10,598,388
Contribution to provisions	-	2,608,974	7,534,428
Additional contribution			58,247,525
Expenditure incurred	-	(2,205,689)	(19,058)
Balance at end of year	**-**	**100,000**	**76,361,283**

30 June 2006	**Audit Fees**	**Leave Reserve**	**Bad Debts**
Balances at beginning of year	-	100,000	76,361,283
Contribution to provisions	-	2,300,000	30,771,536
Expenditure incurred	-	(2,338,660)	-
Balance at end of year	**-**	**61,340**	**107,132,819**

4	**CREDITORS**		
	Trade creditors	2,256,670	1,392,304
	Payments received in advance	8,525,633	4,197,983
	Retentions	444,576	605,888
	Provincial Government - Vehicle Licenses	-	574,136
	Salary electronic payments in July 2006	1,158,087	
	Workmans compensation to be paid	541,790	
	Other	752,194	3,340,295
	Total Creditors	**13,678,950**	**10,110,606**
4.1	**VAT**		
	Opening balance	**(397,907)**	**248,351**
	Current year input VAT	9,102,134	**7,658,992**
	Current year output VAT	(9,882,882)	**(8,056,899)**
	Amount paid (received) - previous years	397,907	**(248,351)**
	Closing balance	(780,748)	(397,907)
5	**UNSPENT CONDITIONAL GRANTS AND RECEIPTS**		
5.1	**Conditional Grants (App. F)**	**3,166,204**	**2,788,041**
	Training Grant (Sita)	810,485	245,214
	Finance Management Grant	181,061	474,143
	LG Support Grant previous year	38,394	168,674
	LG Support Grant 05/06	94,302	-
	Disaster Grant	100,000	100,000
	TB Hospital capital grant	298,398	298,398
	Sewer capital grant	1,332,242	1,332,242
	Tractor & trailor for refuse (GSDM)	(367,229)	-
	Drouht Relief	656,626	-
	Sport fields capital grant	21,925	169,370
6	**PROPERTY, PLANT AND EQUIPMENT**		
	(See separate note for detail)		
7	**INVESTMENTS**		
	Listed Investments (O.T.K.)	4,042	4,042
	Transferred to Current portion of investments (Note 12.2)	(4,042)	-
	Total Investments	**-**	**4,042**
8	**LONG TERM RECEIVABLES**		
	Vehicle Loans	522,728	1,303,987
	Stand Loans	711,663	735,882
	Housings	-	845
	Study Loans	33,190	72,396
	Total	**1,267,581**	**2,113,110**
	Less : Current portion transferred to current receivables	**1,002,670**	**899,241**
	Vehicle Loans	484,568	450,899
	Stand Loans	484,912	375,101
	Housings	-	845
	Study Loans	33,190	72,396
	Total	**264,911**	**1,213,869**

Vehicle loans to senior staff are to be phased out within the next two years.

			2006	2005
			R	R
9	**INVENTORY**			
	Consumables stores at cost (Electrity stock included)		2,735,729	2,461,778
	Diesel at refuse dump site		12,122	520
	Unsold water reserves (Refer to note 30.2)		103,029	-
	Unsold erven (Refer to note 30.1)		7,880,290	
	Total Inventory		**10,731,170**	**2,462,298**
10	**CONSUMER DEBTORS**			
	30 June 2005	**Gross Balances**	**Provision for Bad Debts**	**Nett Balances**
	Service Debtors			
	Rates and service charges	58,084,168	48,991,360	9,092,808
	Electricity	16,502,242	11,022,439	5,479,803
	Water	15,210,694	12,408,021	2,802,673
	Indigents	3,939,463	3,939,463	-
	Balance at end of year	**93,736,567**	**76,361,283**	**17,375,284**
	30 June 2006	**Gross Balances**	**Provision for Bad Debts**	**Nett Balances**
	Service Debtors:			
	Rates and service charges	61,120,301	53,375,116	7,745,185
	Electricity	20,591,817	14,797,130	5,794,687
	Water	16,508,095	13,392,185	3,115,910
	Indigents	25,568,388	25,568,388	-
	Balance at end of year	**123,788,601**	**107,132,819**	**16,655,782**
	AMORTISATION OF DEBTORS	**Nett Balance**	**Amortisation**	**Final Balance**
	Rates and service charges	7,745,185	1,455,013	6,290,172
	Electricity	5,794,687	412,317	5,382,370
	Water	3,115,910	368,824	2,747,086
	Calculated Balance to Statement of Financial Position	**16,655,782**	**2,236,154**	**14,419,628**
10.1	**DEBTORS AGE ANALYSIS**			
	Rates and Service charges	Current	4,072,555	5,061,555
		30 days	1,947,338	2,195,911
		60 days	1,723,905	1,835,342
		90 days and over	53,376,503	48,991,360
	Electricity	Current	3,784,650	3,797,579
		30 days	1,119,290	971,385
		60 days	890,747	710,839
		90 days and over	14,797,130	11,022,439
	Water	Current	1,778,042	1,758,451
		30 days	706,736	564,499
		60 days	631,132	479,723
		90 days and over	13,392,185	12,408,021
	Indigent debtors back on debtors accounts	Current	61,053	
		30 days	305	
		60 days	13,305	
	Indigent debtors in abeyance	90 days and over	25,493,725	3,939,463
	Total		**123,788,601**	**93,736,567**
11	**OTHER DEBTORS**			
	Equitable Share		-	731,601
	Dept. of Health - TB Hospital		257,233	208,092
	Provincial Government - Vehicle Licenses		66,346	-
	Comparex - Computer Services		308,904	304,861
	GSDM claim disabled sewer		151,778	-
	Other sundry debtors		6,496,325	12,413,142
	TOTAL		**7,280,586**	**13,657,696**
12	**BANK, CASH AND OVERDRAFT BALANCES**			
	The Municipality has the following bank accounts:			
	Standard Bank Operating account 031 077 110			
	Standard Bank Call account 7 3888753 6-001			
	Standard Bank Marketlink account 33 551 552 5			
	Current Account (Primary Bank Account)			
	Standard Bank - Account No. 031 077 110			
	Cashbook balance at the beginning of the year - Positive/(Overdrawn)		(1,124,032)	1,754,633
	Cashbook balance at the end of the year	*	(2,609,649)	(1,124,032)
	Bank statement balance at the beginning of the year		4,583,659	7,033,392
	Bank statement balance at the end of the year - Certificate balance		2,099,878	4,583,659
	Petty cash balance at the beginning of the year (Included in cashbook balance)		11,270	15,420
	Petty cash balance at the end of the year (Not included in cashbook balance)	*	11,270	11,270
12.1	Call Account investment - at the beginning of the year		108,236	1,508,236
	Call Account investment - at the end of the year	*	7,104,065	108,236
12.2	Current portion of Long Term Investment			
	Listed Investments (O.T.K.)	*	4,042	-
	(Transferred from Note 7 investments)			

			2006	2005
			R	R
13	**PROPERTY RATES**			
	Residential & Commercial Private owners		24,292,461	22,621,154
	Government		1,152,176	895,893
			25,444,637	**23,517,047**
	Valuations at 30 June 2006	**Properties**	**Land**	**Improvements**
	Residential	23,363	116,286,120	749,403,790
	Commercial	862	55,832,050	221,560,000
	Agriculture	208	5,227,800	22,615,500
	Government	220	8,501,000	73,020,400
	Municipal and non-taxable		26,837,144	54,985,250
	Total Property Valuations		212,684,114	1,121,584,940
14	**SERVICE CHARGES**			
	Sale of Electricity	104811656 kWh	45,437,829	42,533,843
	Sale of Water	3097358 Kl	12,782,839	10,644,436
	Refuse Removal		8,859,336	8,295,992
	Sewerage and Sanitation Charges		10,006,509	9,231,364
	Other service charges		2,113,969	1,493,128
	Less amortisation to time already past		(2,352,890)	
	Less amortisation to future discounting		(2,236,154)	
	Total Service Charges		**74,611,438**	**72,198,763**
14.1	**UN-EARNED FINANCE CHARGES**			
	Amortisation to time already past		**2,352,890**	
15	**GOVERNMENT GRANTS AND SUBSIDIES**			
	Equitable share		27,794,535	16,879,041
	Sesifuba hospital subsidy (100% subsidised)		2,035,773	1,640,070
	Primary health care subsidy (Partial subsidy for Clinic services from Health Dept.)		416,667	1,534,394
	Capital Grants (GSDM + MIG)		19,246,361	26,592,843
	Grant for valuation roll from GSDM		567,446	-
	MSIG		639,698	-
	Other grants		1,397,510	1,477,942
	Total		**52,097,990**	**48,124,290**

***** In terms of the constitution the equitable share is used to subsidise the provision of free basic services.
Water is provided to all residential consumers at a zero rate for the first 6 kiloliter valued at R16.86 p/m
Electricity basic charge is provided at zero rate for all consumers on max. 20 ampere electricity supply. Value R74.20 p/m
Registered indigents receive 50 units free electricity valued at R21.20 p/m Subsidy of other services amounts to R97.33 p/m

16	**OTHER INCOME**			
	Administration fees		184,643	180,124
	Commission on Insurance premiums		60,824	121,870
	Insurance repayments		36	785,911
	Royalties Brick & Quarry		134,816	62,904
	Royalties Mineral lease		483,637	230,952
	Private works		851,397	-
	Maintenance contribution golf club		65,536	
	Other income		723,595	292,341
	Total other income		**2,504,484**	**1,674,102**
17	**EMPLOYEE RELATED COST**			
	Employee related cost - Salaries and wages		42,393,090	37,702,965
	Employee related cost - Contributions for UIF, pensions and medical aids		11,755,732	11,030,112
	Travel and other allowances		3,004,557	2,593,045
	Overtime and relieve payments		3,865,073	4,966,794
	Plus contribution to non-current liability - Post retirement medical benefit		2,653,661	-
	Total Employee Related Cost	*	**63,672,113**	**56,292,916**
	(Remuneration details included to Total Employee Related Cost above.)			
	Section 124(1) [c]			
	Remuneration of the Municipal Manager			
	Annual Remuneration		522,483	492,908
	Total		**522,483**	**492,908**
	Remuneration of the Chief Financial Officer			
	Annual Remuneration		422,414	398,503
	Total		422,414	398,503
	Remuneration of the Deputy Municipal Manager (Acting Health & Comm)			
	Annual Remuneration		437,210	412,462
	Total		**437,210**	**412,462**
	Remuneration of the Director Engineering Services			
	Annual Remuneration		422,414	398,503
	Total		**422,414**	**398,503**
	Remuneration of the Director Public Safety & Security			
	Annual Remuneration		422,414	398,503
	Total		**422,414**	**398,503**
	Remuneration of the Director Marketing and Communication			
	Annual Remuneration	Vacant	-	398,503
	Total		**-**	**398,503**
	Remuneration of the Director Corporate Services	Vacant		
	Annual Remuneration		-	398,503
	Total		**-**	**398,503**

		2006	2005
		R	R
Remuneration of the Director Health & Community Services	Vacant		
Contributions to UIF, etc. (Cost to Council)			
Total		-	-
Section 124 (1) [a]			
18 REMUNERATION OF COUNCILLORS			
Mayor		171,713	169,674
Speaker		87,939	76,647
Executive Committee		413,198	470,080
Councillors		1,026,104	946,633
Housing		113,936	108,501
Travelling allowances		430,148	418,626
Cell phone allowances		262,863	169,156
Pension contributions		250,123	233,112
Medical Aid contributions		36,862	41,968
Total Councillors Remuneration		**2,792,886**	**2,634,397**
The Mayor, Speaker and full time councilors are provided with office space. The mayor has use of a council's vehicle and driver for official duties. The Mayor and Speaker has the support of their personal assistants.			
19 INTEREST PAID			
Long-term Liabilities		210,724	187,039
Total Interest Paid		**210,724**	**187,039**
20 BULK PURCHASES			
Electricity	144272664 kWh	25,793,306	22,292,703
Water	533220 Kl	956,314	1,304,844
Total Bulk Purchases		**26,749,620**	**23,597,547**
21 CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP 2004			
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP:			
21.1 STATUTORY FUNDS			
Accumulated Funds			
Balance previously reported:			
Capital Development Fund			64,646,941
Land Trust Fund			41,189,228
Donation Fund			-628,211
Capital Reserve Fund			447,874
Road Subsidy Fund			145,272
Bursary Loans Fund			1,888,508
Insurance Fund			1,014,281
Housing Development Fund			784,447
Endowment Fund			1,194,795
Loan Redemption Fund			263,017
Community Facilities			36,290
Sub-Total		**0**	**110,982,442**
Trust Funds			
Grants			174,525
Sub-Total		**0**	**174,525**
Reserves			
Renewals			46,659
Maintenance Reserve			508,455
Lost of Rental			33,448
Vehicle Stabilisation Fund			427,519
Gravel Quary Tariff Stabilisation			455,321
Labour Cost Tariff Stabilisation			142,828
Contingency Tariff Stabilisation - General			418,492
Contingency Tariff Stabilisation			1,879,995
Maintenance 19 Dwellings			34,298
Maintenance - Hostels			466,580
Loss in Rentals - 19 Dwellings			100,257
Loss in Rentals - Hostels			8,059
Assessment Rates Reduction			-117,826
Lost Library Books			-3,393
Sub-Total		**0**	**4,400,692**
TOTAL		**0**	**115,557,659**
Implementation of GAMAP			
Transfer to Capitalisation Reserve			51,123,623
Tranfer to Accumulated Surplus (See 21.5 below)			64,434,036
Total		**-**	**115,557,659**
21.2 Loans Redeemed and Other Capital Receipts			
Balance previously reported			193,569,219
Implementation of GAMAP			
Written off of assets with value less than R1 000 (See 21.3 below)			1,684,918
Transferred to Accumulated Surplus (See 21.5 below)			191,884,301
TOTAL		**0**	**193,569,219**

	2006	2005
	R	R
21.3 Property, Plant & Equipment		
Balance previously reported		255,438,280
Less: Assets written off (value of less than R1 0000) (See 21.2 above)		1,684,918
TOTAL	**0**	**253,753,362**
21.4 Accumulated Depreciation		
Balance previously reported		
Implementation of GAMAP		
Backlog Depreciation: Community		2,225,519
Backlog Depreciation: Heritage		2,556
Backlog Depreciation: Infrastructure		87,164,561
Backlog Depreciation: Other		11,725,684
TOTAL (Debited to Accumulated Surplus) (See 21.5 below)	**0**	**101,118,320**
21.5 Accumulated Surplus		
Implementation of GAMAP		
Excessive provisions and reserve no longer permitted (See 21.1 Above)		64,434,036
Transfer from Loans Redeemed and other Capital Receipts (See 21.2 above)		191,884,301
Backlog Depreciation (See 21.4 above)		-101,118,320
Transfer to Government Grant Reserve		-71,692,138
Transfer to Bursary Conditional Grant		-575,285
TOTAL	**0**	**82,932,594**
22 CASH GENERATED BY OPERATIONS		
Net surplus (deficit) for the year	**17,472,100**	**8,733,271**
Adjustments for:-		
Depreciation	13,966,039	13,305,293
Transfer from Reserves to offset depreciation	-	(13,105,548)
Gain on disposal of property, plant and equipment	(916,867)	(1,388,088)
Contribution to provisions - non-current (Note 31)	2,653,661	2,000,000
Contribution from provisions - non current	-	(2,205,689)
Contributions to provisions - current	2,300,000	100,000
Contribution to bad debt provision	8,029,646	7,534,428
Transfer from accumulated surplus to provision for bad debt	-	(58,247,526)
Capital expenditure from grants	-	26,592,843
Investment income	(366,311)	(178,471)
Interest paid	210,724	187,039
Non-operating income - no cash flow	-	(1,834,012)
Non-operating expenditure - no cash flow (Note 30.2)	7,983,319	1,819,423
Operating surplus before working capital charges	51,332,311	(16,687,037)
(Increase) Decrease in Inventories	(8,268,872)	270,724
(Increase)/Decrease in Debtors (Less amortisation to future discounting)	(27,815,880)	44,063,594
(Increase) Decrease in other debtors	6,377,110	5,922,119
Increase/ (decrease) in conditional grant and receipts	378,163	1,254,501
(Increase) Decrease in Provisions	(2,338,660)	(403,285)
Increase on VAT receivable	382,841	(397,907)
Increase/(decrease) in Creditors	3,568,344	(12,176,468)
Cash generated by operations	**23,615,357**	**21,846,241**
23 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Cashbook balance at the end of the year	(2,609,649)	(1,124,032)
Petty cash	11,270	11,270
Total	**(2,598,379)**	**(1,112,762)**
24 ADDITIONAL DISCLOSURE IN TERMS OF THE MFMA		
Section 124 (1) [b]		
24.1 **Disclosure of concerning councillors**		
The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2006		
S Marsh	8,094	
BE Nkosi	3,647	
ZPG Nzimande	132	
N Shongwe	707	
GA Vilakazi	10,128	
MS Vilakazi	151	
Section 125 (1) [b]		
24.2 **Contributions to organised local government**		
Opening balance	-	-
Council subscriptions	207,002	527,756
Amount paid - current year	(207,002)	(527,756)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-
Section 125 (1) [c]		
Payments to various institutions		
24.3 **Audit fees**		
Opening balance	-	-
Current year audit fees	779,972	310,044
Amount paid - current year	(779,972)	(310,044)
Amount paid - previous years	-	-
Balance unpaid (Included in creditors)	-	-

	2006 R	2005 R
24.4 **VAT**		
VAT inputs receivables and VAT outputs receivables are shown in note 4.1		
All VAT returns have been submitted by the due date throughout the year.		
24.5 **PAYE and UIF**		
Opening balance	-	-
Current year payroll deductions	6,857,185	6,598,539
Amount paid - current year	(6,857,185)	(6,598,539)
Amount paid - previous year	-	-
Balance unpaid (Included in creditors)	-	-
24.6 **Pension and Medical Aid Deductions**		
Opening balance	907,728	-
Current year payroll deductions and Council Contributions	11,494,774	14,121,836
Amount paid - current year	(11,494,774)	(13,214,108)
Amount paid - previous year	(907,728)	-
Balance unpaid (Included in creditors)	-	907,728
24.7 **In kind donations or assistance**		
The municipality received the following in kind donations or assistance:		
First South Risk Solutions was appointed by Provincial Treasury to assist with financial risk assessment, and other financial related issues for two years from 1 January 2004 to 31 December 2005		
25 CONTINGENT LIABILITIES	**-**	**559,033**
Mr. Thomas - Unlawfull arrest - summons received and insurance company defended	-	5,000
Mrs. Nel - Unlawfull arrest - Insurance company notified - No summons received to date	-	5,000
Mr. P Malinga - Accidental death policy proceeds to municipality - Outcome of investigation positive. (Council resolution LM 1801/07/2005)	-	549,033
(2004/2005 liabilities settled)		
26 ACCUMULATED RESERVES	**170,675,685**	**137,759,378**
Capital Replacement Reserve	641,246	
Capitalization reserve	67,613,572	72,450,331
Government Grant reserve	102,420,867	65,309,047
27 ACCUMULATED SURPLUS	**7,315,470**	**45,590,099**
Accumulated surplus 30 June 2005	45,590,099	76,509,898
Transfer from Accumulated surplus to Capital Reserve and Government Grant Reserve	(27,327,727)	27,327,727
Surplus/(Deficit)	17,472,100	
Transfer to CRR	(1,972,505)	
PPE expenditure from CRR	1,331,259	
Less: Transfer from accumulated surplus to provision for bad debt	(22,741,888)	(58,247,526)
Government grants used to purchase PPE	(18,507,892)	
Asset disposals	(191,563)	
Offsetting of depreciation	13,560,558	
Unsold water - Included to Inventory (Refer to note 30.3)	103,029	
28 DISCLOSURE OF BANK ACCOUNT FOR PHP HOUSING		
An account was opened in the name of the Municipality in terms of the agreement between Council and Provincial Treasury for the assistance of individual housing projects. In terms of Council resolution EXCO 1386/08/2003 the CFO was appointed the Administrator of the project. An account was opened at ABSA in the name of Msukaligwa Municipality (PHP project Validtrade 100CC) ("Trust account") Validtrade 100 cc was appointed the support organisation.		
The Provincial Department has taken responsibility of the distribution of those funds		
Account number 4058192970		
Balance at beginning of year	1,478,424	114,287
Balance at end of year - Account closed	-	1,478,424
All proceeds from the bank account less cost on such account was paid to Provincial Treasury on monthly basis, with proper reconciliation of funds. During the year no beneficiary payments has been claimed from the funds allocated from the Mpumalanga Department of Housing.		
This account is not part of Council's financial statements and are not included in the Statement of Financial Position. The account is held as a "trust account" on behalf of the Support organisation in favour of beneficiaries in terms of the agreement between Validtrade 100cc and the Provincial Housing Department.		

		2006 R	2005 R
29 STATISTICAL INFORMATION			
ELECTRICITY			
Purchase cost		R 25,793,306	R 22,292,703
Total cost (include streetlighting)		R 43,262,712	R 39,091,921
Sales income		R 45,437,829	R 42,533,843
Purchased units	kWh	144,272,664	137,783,217
Sold units	kWh	104,811,656	100,354,915
Units loss in distribution	kWh	39,461,008	37,428,302
Cost of loss in distribution		R 7,055,628	R 6,055,899
Loss in distribution		27.35%	27.16%
Benchmark norm for distribution losses		10.00%	10.00%
Nett loss in distribution		17.35%	17.16%
Cost per unit based on purchase cost		0.1788	0.1618
Cost per unit based on total cost		0.2999	0.2837
Income per unit		0.4335	0.4238
Nett loss in distribution over and above the benchmark losses - units		25,032,852	23,647,631
Nett cost of loss in distribution over and above the benchmark losses		R 4,475,874	R 3,826,187
WATER			
Purchase cost		R 956,314	R 1,304,844
Total cost		R 11,829,083	R 9,634,512
Sales income		R 12,782,839	R 10,644,436
Purchased kiloliters	Kl	533,220	3,164,544
Own resourses kiloliters	Kl	5,035,302	2,002,606
Total purified water kiloliters	Kl	5,568,522	5,167,150
Sold kiloliters plus addisional provision as calculated	Kl	3,207,238	3,722,817
Kl loss in distribution	Kl	2,361,284	1,444,333
Cost of loss in distribution		R 5,016,076	R 2,693,103
Loss in distribution		42.40%	27.95%
Benchmark norm for distribution losses		10.00%	10.00%
Nett loss in distribution		32.40%	17.95%
Cost per kiloliter purified		2.1243	1.8646
Cost per kiloliter sold		3.6882	2.5880
Income per kiloliter		3.9856	2.8592
Nett loss in distribution over and above the benchmark losses - kiloliters		1,804,377	927,577
Nett cost of loss in distribution over and above the benchmark losses		R 3,833,038	R 1,729,560
Calculation of water utilized in water provision to communities			
Kiloliters sold	Kl	3,097,358	2,834,345
Calculation of water not metered but utilized from purified water			
Backwash of purified water at purification plants	Kl	-	775,072
Unmetered communities with standpipe provision	Kl	45,700	43,200
Water provision by tankers	Kl	28,980	32,400
Unmetered new development housing projects	Kl	35,200	37,800
Total water provision	Kl	3,207,238	3,722,817

WATER STOCK IN RESERVOIRS AS AT 30 JUNE 2006		**MEGALITER**
Reservoir at Ermelo - airodrome	10 Ml x 50%	5.00
Reservoir at Wesselton	10 Ml x 75%	8.00
Reservoir at Ermelo - south	20 Ml x 80%	16.00
Reservoir Davel	5 Ml x 70%	3.50
Reservoirs Lothair	5 Ml x 100%	5.00
	2 Ml x 100%	2.00
	1.12 Ml x 100%	1.00
Reservoirs Breyten	3 Ml x 50%	2.00
	1 Ml x 100%	1.00
	2 Ml x 100%	2.00
	3 Ml x 100%	3.00
Total		**48.50**
Calculated Inventory unsold water	2.1243	103,028.55

	2006 R	2005 R

30 CHANGE IN ACCOUNTING POLICY

CORRECTION OF ERRORS

30.1 Property, Plant & Equipment (Refer to note 6)

Property transferred to Inventory as unsold erven (See note 9)	7,880,290

30.2 Inventory (Refer to note 9)

Property transferred from PPE - Unsold erven to Inventory	7,880,290
Unsold water taken up as Inventory	103,029
Total Increase in Inventory	7,983,319

30.3 Accumulated Surplus (Refer to note 27)

Unsold water included to Inventory	
Net effect on Accumulated Surplus	103,029
(See Statement of Changes in net Assets)	

31 PROVISION FOR POST RETIREMENT BENEFIT OBLIGATION

Post-Retirement medical aid benefit contributions - Defined benefit plan.

In terms of the International Accounting Standards (19) calculations were made by Management to estimate the initial recognition of a post-retirement medical aid benefit contribution to its employees and disclosed as a Non-Current Liability.

An Actuarial Firm will be appointed to determine the value of the municipality's defined medical aid benefit obligation at the end of the financial year 2006/2007.

Principals for Calculation:

Estimated life expectancy:- Men = 70 years of age
Women = 75 years of age

Remaining period for liability:- From normal retirement age of 65
For pensioners already reached the age of 70 or 75, one year is added to the calculation of benefit obligations.

Council contribution:- 60% of the total contribution

Initial calculation:

Post-retirement medical aid benefit liability	13,268,304
Phasing in over a period of 5 years - IAS 19: Year one	2,653,661

(This provision is added to the employee related cost as per note 17)

MSUKALIGWA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

6 PROPERTY, PLANT & EQUIPMENT

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying value at 1 July 2005	9,869,741	110,088,218	15,172,887	8,182	24,808,558	**159,947,586**
Cost	17,750,031	207,026,707	17,651,590	11,830	38,931,546	**281,371,704**
						0
Correction of Error (Note 30.1)	-7,880,290					**-7,880,290**
Accumulated Depreciation	0	-96,938,489	-2,478,703	-3,648	-14,122,988	**-113,543,828**
Acquisitions		16,567,349	147,444		3,124,359	19,839,152
Depreciation		-11,198,849	-280,872	-1,092	-2,485,226	-13,966,039
-based on cost	17,696,531	223,594,057	17,799,033	11,830	41,851,516	300,952,967
Carrying value of disposals	-53,500				-138,063	-191,563
Accumulated depreciation		108,137,337	2,759,576	4,739	16,541,888	127,443,540
Impairment losses						
Other movements						
Carrying values at 30 June 2006	**9,816,241**	**115,456,718**	**15,039,459**	**7,090**	**25,309,628**	**165,629,136**

NOTE: The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality must be fully compliant with GAMAP 17 within three years from 30 June 2005 as the date of first acceptance of GAMAP standards.
At present depreciation on these assets is calculated on an average basis whereby an average useful life has been estimated for each category of infrastructure, using global historical costs recorded in the accounting records. No depreciation is calculated on buildings due to the low historical cost of those assets.

APPENDIX A
MSUKALIGWA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2006

External Loans	Loan Number	Redeemable	Balance at 30 /06/2005	Received during the period	Redeemed or written off during period	Balance at 30/06/2006	Carrying value of Property, Plant & Equipment	Other costs in accordance with MFMA
Long Term Loans								
C.N.B. Nominees		2006/12/31	110,000			110,000	49,500	
			110,000		**0**	**110,000**		
Annuity Loans								
D.B.S.A. 13.56%	12600&12181	2014/06/30	125,397		7,789	117,608	75,582	
D.B.S.A. 17.5%	11383	2007/02/28	21,868		13,963	7,905	4,500	
			147,265		**21,752**	**125,513**		
Bankfin Loans								
	60890973	2008/02/01	136,377		32,240	104,137	111,894	
	64934207	2009/06/01	58,076		12,327	45,749	39,286	
	64934185	2009/06/01	58,076		12,327	45,749	42,447	
	64934193	2009/06/01	58,076		12,327	45,749	42,447	
	64934177	2009/06/01	88,541		18,792	69,749	85,544	
	64934045	2009/06/01	53,742		11,407	42,335	55,998	
	64934053	2009/06/01	53,742		11,407	42,335	55,065	
	64934010	2009/06/01	53,742		11,407	42,335	54,469	
	64934029	2009/06/01	53,742		11,407	42,335	55,065	
	94934037	2009/06/01	53,742		11,407	42,335	55,065	
	66443480	2010/01/01	134,466		134,466	0	0	
			802,322	**0**	**279,514**	**522,808**		
Stannic Loans								
	68195249-0002	2010/05/01	773,310		143,237	630,073	542,674	
	68195249-0003	2010/07/01	209,069		32,292	176,777	146,715	
	68195249-0004	2010/08/01	158,004		19,120	138,884	110,880	
			1,140,383	**0**	**194,649**	**945,734**		
Total			**2,199,970**	**0**	**495,915**	**1,704,055**		

APPENDIX B
MSUKALIGWA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2006

Sector / Sub-sector	Cost / Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land										
Erven	16,875,603			-7,933,790	8,941,813	0			0	8,941,813
Agricultural	874,428				874,428	0			0	874,428
	17,750,031	**0**	**0**	**-7,933,790**	**9,816,241**	**0**	**0**	**0**	**0**	**9,816,241**
Infrastructure										
Water Reticulation	45,293,370	9,411,423			54,704,793	12,093,038	2,257,284		14,350,322	40,354,471
Security Measures	616,668				616,668	417,430	49,037		466,467	150,201
Sewerage	37,596,906	4,687,641			42,284,547	15,546,878	1,914,784		17,461,662	24,822,885
Roads and Storm water	79,717,191	2,468,286			82,185,477	43,787,197	4,840,171		48,627,368	33,558,109
Pedestrian Malls	653,986				653,986	449,674	33,130		482,804	171,182
Electricity	42,180,265				42,180,265	24,613,406	2,103,141		26,716,547	15,463,718
Airport	968,321				968,321	30,866	1,302		32,168	936,153
	207,026,707	**16,567,350**	**0**	**0**	**223,594,057**	**96,938,489**	**11,198,849**	**0**	**108,137,338**	**115,456,719**
Community Assets										
Recreation Grounds	5,490,318	147,444			5,637,762	436,033	93,015		529,048	5,108,714
Community Buildings	12,161,272				12,161,272	2,042,670	187,857		2,230,527	9,930,745
	17,651,590	**147,444**	**0**	**0**	**17,799,034**	**2,478,703**	**280,872**	**0**	**2,759,575**	**15,039,459**
Heritage Assets										
Monuments	1,830				1,830	1,648	92		1,740	90
Paintings	10,000				10,000	2,000	1,000		3,000	7,000
	11,830	**0**	**0**	**0**	**11,830**	**3,648**	**1,092**	**0**	**4,740**	**7,090**
Other assets										
Bins and Containers	476,058	55,418			531,476	142,245	47,606		189,851	341,625
Other Buildings	15,377,666				15,377,666	147,769	33,847		181,616	15,196,050
Emergency Equipment	786,388	21,058			807,446	511,262	31,535		542,797	264,649
Furniture and Fittings	1,479,848	66,212			1,546,060	1,237,172	57,866		1,295,038	251,022
Motor Vehicles	7,504,083	504,714		-170,063	7,838,734	4,083,356	686,667	-45,350	4,724,673	3,114,061
Office Equipment	5,092,580	1,658,412		-31,150	6,719,842	2,875,461	1,077,450	-18,113	3,934,798	2,785,044
Plant and Equipment	8,214,923	818,544		-3,176	9,030,291	5,125,723	550,255	-2,863	5,673,115	3,357,176
	38,931,546	**3,124,358**		**-204,389**	**41,851,515**	**14,122,988**	**2,485,226**	**-66,326**	**16,541,888**	**25,309,627**
Total	**281,371,704**	**19,839,152**	**0**	**-8,138,179**	**293,072,677**	**113,543,828**	**13,966,039**	**-66,326**	**127,443,541**	**165,629,136**

APPENDIX C
MSUKALIGWA MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2006

Department	Cost / Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Director Town Engineer	5,295				5,295		1,059		1,059	4,236
Public Works	75,976,718	3,118,286			79,095,004	41,798,518	4,883,304		46,681,822	32,413,182
Town Planning And Building	97,493	344,910			442,403	47,257	16,494		63,751	378,652
Street lights	2,226,438				2,226,438	764,164	101,115		865,279	1,361,159
Airport	1,088,979				1,088,979	151,524	1,302		152,826	936,153
Sewerage Network	45,056,365	4,687,641			49,744,006	19,406,357	2,334,589		21,740,946	28,003,060
Water Network	44,555,927	9,519,317			54,075,244	11,618,636	2,226,497		13,845,133	40,230,111
Electricity	42,276,260				42,276,260	24,502,528	2,175,311		26,677,839	15,598,421
Fire Brigade Services	2,396,016	24,833		-3,176	2,417,673	1,483,797	102,696	-2,863	1,583,630	834,043
Safety and Security	281,268	141,654			422,922	206,235	15,335		221,570	201,352
Licensing	957,324				957,324	409,241	68,952		478,193	479,131
Traffic	1,340,808			-170,063	1,170,745	776,638	105,428	-45,350	836,716	334,029
Parking Meters	441,228				441,228	176,492	22,061		198,553	242,675
Cemeteries	416,947				416,947	78,685	4,064		82,749	334,198
Parks and Grounds	2,321,306				2,321,306	687,622	87,877		775,499	1,545,807
Environmental Health	361,559	6,500			368,059	276,097	33,947		310,044	58,015
Clinics	1,279,842	4,598			1,284,440	89,625	1,292		90,917	1,193,523
Tuberculosis Hospital	232,958				232,958	44,464	7,020		51,484	181,474
Welfare	6,050				6,050	6,050			6,050	0
Director Corporate Services	0	69,248			69,248	0			0	69,248
Refuse Removal	4,063,345	422,647			4,485,992	1,822,907	344,964		2,167,871	2,318,121
Housing	2,863,385	8,370			2,871,755	391,702	34,755		426,457	2,445,298
Staff Flats	1,031,362				1,031,362	0			0	1,031,362
Mechanical Workshop	1,565,880				1,565,880	716,300	59,498		775,798	790,082
Civic Center	6,067,815				6,067,815	186,622	11,629		198,251	5,869,564
Administration	2,765,020	971,988		-25,650	3,711,358	1,605,009	555,170	-12,613	2,147,566	1,563,792
Human Recourses	153,407	6,500			159,907	65,201	37,336		102,537	57,370
Municipal Manager	128,220	17,658			145,878	80,870	21,611		102,481	43,397
I D P	34,434				34,434	16,837	7,039		23,876	10,558
Council General	27,332,627	184,860		-7,933,790	19,583,697	1,642,607	62,578		1,705,185	17,878,512
Councillors	696,533	51,848			748,381	399,096	78,595		477,691	270,690
Director Finance	0	23,135			23,135	0			0	23,135
Municipal Stores	191,634				191,634	19,735	4,517		24,252	167,382
Finance	1,637,430	51,030		-5,500	1,682,960	1,108,400	252,031	-5,500	1,354,931	328,029
Marketing and Communication	304,884				304,884	222,342	32,712		255,054	49,830
Libraries	251,671	7,050			258,721	164,277	11,612		175,889	82,832
Swimming Pool	1,000,012				1,000,012	13,271			13,271	986,741
Sport Fields General	6,741,481	147,444			6,888,925	2,138,951	216,870		2,355,821	4,533,104
Golf Course	1,327,309				1,327,309	302,519	32,355		334,874	992,435
Sport and Recreation	1,845,828				1,845,828	79,106	12,257		91,363	1,754,465
Local Economic Development	44,146				44,146	44,146			44,146	0
Director Public Safety	6,500	29,635			36,135		2,167		2,167	33,968
	281,371,704	**19,839,152**	**0**	**-8,138,179**	**293,072,677**	**113,543,828**	**13,966,039**	**-66,326**	**127,443,541**	**165,629,136**

APPENDIX D

MSUKALIGWA MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2006

2005 Actual income R	2005 Actual expenditure R	2005 Surplus (Deficit) R	Segments	2006 Actual income R	2005 Actual Expenditure R	2006 Surplus (Deficit) R
16,754,088.00	25,820,057.00	(9,065,969.00)	**Executive & Council**	29,469,615.71	25,008,881.84	4,460,733.87
33,112,898.00	21,309,768.00	11,803,130.00	**Finance & Admin**	35,689,304.09	20,550,333.35	15,138,970.74
209,283.00	328,757.00	(119,474.00)	**Planning & Development**	543,252.25	269,233.61	274,018.64
3,229,711.00	4,548,674.00	(1,318,963.00)	**Health**	2,459,779.98	5,144,166.20	(2,684,386.22)
398,063.00	3,900,150.00	(3,502,087.00)	**Community & Social Services**	325,708.70	4,484,652.22	(4,158,943.52)
2,076,147.00	2,912,096.00	(835,949.00)	**Housing**	2,083,825.20	2,954,549.66	(870,724.46)
1,540,878.00	5,869,515.00	(4,328,637.00)	**Public Safety**	1,261,102.56	6,235,878.43	(4,974,775.87)
1,329,783.00	6,385,625.00	(5,055,842.00)	**Sport & Recreation**	319,274.08	5,526,652.45	(5,207,378.37)
-	-	-	**Environmental Protection**	0.00	0.00	-
28,336,080.00	23,140,439.00	5,195,641.00	**Waste Management**	24,178,603.35	16,448,143.00	7,730,460.35
12,070,338.00	15,194,950.00	(3,124,612.00)	**Road Transport**	7,268,749.61	11,960,569.81	(4,691,820.20)
28,510,991.00	22,584,447.00	5,926,544.00	**Water**	23,439,285.80	11,829,083.37	11,610,202.43
47,185,525.00	39,091,922.00	8,093,603.00	**Electricity**	48,958,669.15	43,262,712.08	5,695,957.07
58,472.00	30,803.00	27,669.00	**Other**	61,788.29	22,187.74	39,600.55
174,812,257.00	**171,117,203.00**	**3,695,054.00**	**Sub-Total**	**176,058,958.77**	**153,697,043.76**	**22,361,915.01**
-	(5,038,217.00)	5,038,217.00	**Less Inter-Dep Charges**	-	-	-
174,812,257.00	**166,078,986.00**	**8,733,271.00**	**TOTAL**	**176,058,958.77**	**153,697,043.76**	**22,361,915.01**
		8,733,271.00				**22,361,915.01**

Inter-departmental charges taken in account at each level of GFS function.
Statement changed to GFS functions format - Calculations on file

APPENDIX E (1)
MSUKALIGWA MUNICIPALITY
UNAUDITED - REVENUE AND EXPENDITURE - ACTUAL VERSUS BUDGET - FOR THE YEAR ENDED 30 JUNE 2006

	Actual R	Budget R	Variance R	Variance %	Explanation of significant variances greater than 10% versus budget
REVENUE					
Property rates	25,444,636.84	25,436,860.00	7,776.84	0.03%	
Service charges (Less amortisation on future discounting)	76,964,328.00	79,668,611.00	-2,704,283.00	-3.39%	
Government Grants and Subsidies	52,097,990.49	35,545,168.00	16,552,822.49	46.57%	Include capital grants and donations
Fines	965,674.00	1,452,000.00	-486,326.00	-33.49%	Fines not realized
Interest earned - external investments	366,310.72	125,000.00	241,310.72	193.05%	Investments increased
Interest earned - outstanding debtors	8,288,495.46	8,225,835.00	62,660.46	0.76%	
Rental of facilities and equipment	959,693.50	938,355.00	21,338.50	2.27%	
Licenses and permits	1,353,961.00	1,083,700.00	270,261.00	24.94%	Increase in tariffs
Income for agency services	2,023,444.22	1,590,000.00	433,444.22	27.26%	Increase in license fees
Gains on disposal of property, plant and equipment	916,867.11	1,022,930.00	-106,062.89	-10.37%	Less sales than budgeted
Other income	2,504,483.58	872,730.00	1,631,753.58	186.97%	Royalties and private works more than budget
Total Revenue	**171,885,884.92**	**155,961,189.00**	**15,924,695.92**	**10.21%**	
EXPENDITURE					
Employee related cost (Plus provision to non-current liability)	63,672,113.22	64,476,465.00	-804,351.78	-1.25%	
Remuneration Councillors	2,792,886.09	2,971,675.00	-178,788.91	-6.02%	
General expenses - other	18,416,986.39	23,555,528.00	-5,138,541.61	-21.81%	Subsidies on FBS not realised
Interest on external borrowings	210,723.95	270,855.00	-60,131.05	-22.20%	Loans not entered into
Bulk Purchases	26,749,620.05	25,970,613.00	779,007.05	3.00%	
Contracted services	11,826,670.96	14,269,361.00	-2,442,690.04	-17.12%	Professional services savings & ICT contract
Collection Cost	9,156.55	9,495.00	-338.45	-3.56%	
Repairs and Maintenance	6,439,942.67	7,944,743.00	-1,504,800.33	-18.94%	Saving vehicle maint. & GSDM budget not spent
Depreciation	13,966,039.03	5,704,004.00	8,262,035.03	144.85%	Depreciation on all assets: offset to reserves
Bad debts	8,029,646.00	8,029,646.00	0.00	0.00%	
Provision for leave	2,300,000.00	2,300,000.00	0.00	0.00%	
Total Expenditure	**154,413,784.91**	**155,502,385.00**	**-1,088,600.09**	**-0.70%**	
NET SURPLUS / (DEFICIT) FOR THE YEAR	**17,472,100.01**	**458,804.00**	**17,013,296.01**		

APPENDIX E (2)
MSUKALIGWA MUNICIPALITY
UNAUDITED - ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT - ACTUAL VERSUS BUDGET - FOR THE YEAR ENDED 30 JUNE 2006

	Actual R	Under construction R	Total Additions R	Budget R	Variance R	Variance %	Explanation of significant variances greater than 10% versus budget
Investment properties							
Erven	0.00	0.00	0.00	0.00	0.00	0.00%	
Farming Land	0.00	0.00	0.00	0.00	0.00	0.00%	
	0.00	0.00	0.00	0.00	0.00		
Infrastructure							
Airports	0.00	0.00	0.00	0.00	0.00	0.00%	
Electricity	0.00	0.00	0.00	0.00	0.00	0.00%	
Pedestrian Malls	0.00	0.00	0.00	0.00	0.00	0.00%	
Roads and Storm water	2,468,286.00	0.00	2,468,286.00	2,494,710.00	-26,424.00	-1.06%	Project completed
Sewerage	4,687,641.00	0.00	4,687,641.00	4,250,000.00	437,641.00	10.30%	Additional grants received
Security Measures	0.00	0.00	0.00	0.00	0.00	0.00%	
Water	9,411,423.00	0.00	9,411,423.00	7,219,154.00	2,192,269.00	30.37%	Additional grants received
	16,567,350.00	0.00	16,567,350.00	13,963,864.00	2,603,486.00		
Community Assets							
Community Buildings	0.00	0.00	0.00	0.00	0.00	0.00%	
Recreational Facilities	147,444.00	0.00	147,444.00	0.00	147,444.00	100.00%	Additional grants received
	147,444.00	0.00	147,444.00	0.00	147,444.00		
Heritage Assets							
Monuments	0.00	0.00	0.00	0.00	0.00	0.00%	
Paintings	0.00	0.00	0.00	0.00	0.00	0.00%	
	0.00	0.00	0.00	0.00	0.00		
Other Assets							
Bins and Containers	55,418.00	0.00	55,418.00	60,000.00	-4,582.00	-7.64%	
Buildings	0.00	0.00	0.00	0.00	0.00	0.00%	
Emergency Equipment	21,058.00	0.00	21,058.00	0.00	21,058.00	100.00%	Insurance claims
Furniture and Fittings	66,212.00	0.00	66,212.00	22,500.00	43,712.00	194.28%	Public Grants Received
Motor Vehicles	504,714.00	0.00	504,714.00	737,000.00	-232,286.00	-31.52%	All vehicles not bought
Office Equipment	1,658,412.00	0.00	1,658,412.00	1,569,322.00	89,090.00	5.68%	
Plant and Equipment	818,544.00	0.00	818,544.00	818,544.00	0.00	0.00%	
	3,124,358.00	0.00	3,124,358.00	3,207,366.00	-83,008.00		
	19,839,152.00	0.00	19,839,152.00	17,171,230.00	2,667,922.00	15.54%	